

**RESOLUTION AUTHORIZING ISSUANCE OF NOTES  
IN ANTICIPATION OF STATE SCHOOL AID  
AUGUST BORROWING THROUGH THE  
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY)**

\_\_\_\_\_ (the "Academy").

A regular meeting of the Board of Directors was held on the \_\_\_\_\_ day of \_\_\_\_\_, 2004, at \_\_:\_\_ .m.

The meeting was called to order at \_\_:\_\_ .m., by \_\_\_\_\_, President.

Present: \_\_\_\_\_

Absent: \_\_\_\_\_

The following preamble and resolution were offered by \_\_\_\_\_ and supported by \_\_\_\_\_:

**BACKGROUND**

Under the terms of Sections 504a and 1225 of Act 451, Public Acts of Michigan, 1976, as amended (the "Act"), a public school academy may borrow money for school operations by issuing its notes. Under the Act, it may pledge its state aid pursuant to the State School Aid Act of 1979 (the "State Aid Act") as security for these notes. Under the Act, these notes shall be full faith and credit obligations of the Academy.

The estimated amount of state aid appropriations to be allocated to the Academy pursuant to Section 20(2) of the State Aid Act, and to be paid to the Academy for the fiscal year ending June 30, 2005 (from October 2004 through August 2005), is shown in paragraph 1 of Exhibit A (the "2004/2005 State Aid"). The 2004/2005 State Aid is pledged as security for the Academy's notes and is sometimes referred to as the "Pledged State Aid."

The Academy needs to borrow not more than the amount shown in paragraph 3 of Exhibit A. The Academy needs to borrow this amount to pay operating expenses for the current fiscal year beginning July 1, 2004. This amount is estimated to be not more than 70% of the difference between the total state aid funds apportioned to the Academy for 2004/2005 and the state aid already received or pledged for 2004/2005.

The Academy plans to issue or has issued notes, bonds or other obligations in calendar year 2004 in the amount shown in paragraph 2 of Exhibit A.

AUTHORIZING RESOLUTION

The Academy must either be qualified or obtain prior approval for the issuance of the notes from the Department of Treasury (the "Treasury") of the State of Michigan.

The appropriate business officer, manager or official of the Academy has recommended to the Board of the Academy that the Academy borrow an amount not to exceed the amount shown in paragraph 3 of Exhibit A and issue the general obligation notes (the "Notes") of the Academy for that purpose to the Michigan Public Educational Facilities Authority (the "Authority").

**THE BOARD THEREFORE RESOLVES THAT:**

1. Designation of Authorized Officers. The Board Members, officers and/or business officials designated in paragraph 4 of Exhibit A are designated as "Authorized Officers" with respect to the Academy's notes, and are authorized and directed to take certain actions on behalf of the Academy as described below.

2. Borrowing Authorized. Pursuant to Sections 504a and 1225 of the Act, the Academy shall borrow a sum not to exceed the amount shown in paragraph 3 of Exhibit A for operating purposes. The final amount shall be determined by an Authorized Officer prior to the sale of the Notes. The amount shall not exceed the amount approved by the appropriate State agency, if prior approval is necessary. The Academy shall issue general obligation Notes for this purpose in anticipation of the distribution of Pledged State Aid for the fiscal year ending June 30, 2005 (the "Current Fiscal Year").

3. Terms and Conditions. The Notes shall bear interest at the rate or rates determined by an Authorized Officer. The rate or rates shall not exceed the maximum rate permitted by law at the time of sale. The Notes shall be dated as set forth in paragraph 6 of Exhibit A. The Notes shall be due and payable on the date shown in paragraph 7 of Exhibit A. The Notes shall be payable in lawful money of the United States of America at a bank or trust company approved by the Authority. The Notes shall be in any denomination. The Notes shall not be subject to redemption prior to maturity and may not be prepaid before they are due.

4. Pledge of State Aid. The Academy pledges the Pledged State Aid as security for repayment of the Notes. The Academy appropriates a sufficient amount of the Pledged State Aid to repay the principal of and interest on the Notes. In addition, the Academy pledges its full faith and credit for payment of principal of and interest on the Notes. In case of the insufficiency of the Pledged State Aid, the Academy shall pay the Notes as a first budget obligation from any funds legally available for such purposes.

5. Execution and Delivery of Notes. An Authorized Officer shall execute the Notes on behalf of the Academy. The executed Notes shall be delivered to the Authority upon the receipt of the purchase price for the Notes.

6. Compliance with Revised Municipal Finance Act. The person identified in Paragraph 5 of Exhibit A is appointed to act as the Academy's Chief Administrative Officer. The Chief Administrative Officer shall provide all necessary information and execute documentation and forms required by the Revised Municipal Finance Act. The Chief Administrative Officer is authorized and directed to make application to Treasury for and on behalf of the Academy for

qualified status or for an order approving the issuance of the Notes, if applicable, and to pay any applicable fee.

7. Authorization for Signing Additional Documents. Each Authorized Officer is further authorized to execute any documents or certificates necessary to complete the transaction including, but not limited to, any certificates relating to federal or state securities laws, rules or regulations.

8. Intercept of Academy State Aid.

(a) Payment of Monthly Installments. Pursuant to the agreement of the Academy's authorizing body, and unless otherwise agreed to in writing by the Authority, an amount equal to the Issuer's monthly principal and interest obligation on the Notes of the Academy's 2004/2005 State Aid to be allocated to the Academy shall be transmitted directly by the State Treasurer to the trustee designated by the Authority and shall be deposited in a separate fund with such trustee (the "Trustee") in ten (or such other number as shall be provided for in the Purchase Contract) monthly installments (the "Installment" or "Installments"). Installment payments will commence on or before October 20, 2004 (or such other date as shall be provided for in the Purchase Contract), and on or before the 20th of each succeeding month through July 20, 2005 (or such other date as shall be provided for in the Purchase Contract) (the "Payment Dates"). If a Payment Date falls on a Saturday, Sunday, or legal holiday, the Payment Date shall be the preceding business day. The payment to the Trustee shall be made first from the State School Aid allocated to the Academy during the month of the Installment. If, for any reason, the 2004/2005 State School Aid allocated to the Academy during the month of the Installment is insufficient to pay the Installment, then in that event the Academy pledges to use any and all other available funds to meet the Installment obligation.

(b) Provisions Applicable Upon Default. If (i) on any due date for any Installment, the funds with the Trustee, together with scheduled future Installments, are insufficient to pay the principal of and interest on the Notes when due, or (ii) the Authority at any time receives written notice from the issuer of the letter of credit securing the Authority notes stating that such letter of credit issuer deems itself insecure with respect to payment of the Notes when due, then:

(A) Notice of Default. The Authority shall notify (or cause notice to be given to) the Academy and the authorizing body in writing of such event; and

(B) Academy Assignment of Additional Intercept/Advancement of State Aid to Cure Default. Pursuant to Section 17a(2) of the State Aid Act, and to the extent necessary to meet the payment obligation, the Academy assigns to the Authority and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the State Aid Act, and in such event the Authority is authorized, pursuant to Section 17a(2) of the State Aid Act, pursuant to the agreement of the authorizing body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or otherwise distributed to the authorizing body with respect to the Academy; and

(C) Authority Intercept/Advancement of State Aid to Cure Default. Beginning immediately, in accordance with the terms and conditions of the Purchase Contract (the "Purchase Contract") between the Authority and the Academy, the Authority shall immediately notify (or cause notice to be given to) the Academy and the authorizing body that it will immediately commence to intercept or seek an advancement of the Pledged State Aid and the Authority shall intercept or receive an advancement of 97% of the Pledged State Aid to be otherwise distributed to the authorizing body.

(c) Priority of Payments. The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the principal of and interest on the Notes when due shall be held by the Trustee for such purpose and (ii) to the extent in excess of the amount required to make payment in full of the Notes, any amounts remaining to be immediately distributed to the authorizing body or as otherwise directed by the Authority. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay principal and interest on the Notes.

(d) Nonpayment at Maturity. The Pledged State Aid due to the Academy during any month shall under no circumstances be less than the amount of one Installment. If on July 20, 2005 the funds with the Trustee, are insufficient to pay the Installment and Notes when due, the Academy, pursuant to Section 17a(2) of the State Aid Act to the extent necessary to meet the payment obligation, assigns to the Authority and authorizes and directs the State Treasurer to advance 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the State Aid Act.

9. Purchase Contract. An Authorized Officer is hereby authorized to execute and deliver a Purchase Contract with the Authority in substantially the form attached hereto as Exhibit B with such additions, deletions or substitutions as the Authorized Officer shall deem necessary and appropriate and not inconsistent with the provisions of this resolution.

10. Authority of Authorized Officer to Determine Terms. Subject to the provisions of Section 3, an Authorized Officer is further authorized to approve the specific interest rate to be borne by the Notes, the purchase price of the Notes, the number and amount of Installments and other terms and conditions relating to the Notes and the sale of the Notes.

11. Required Note Content. The form of Notes shall contain the following paragraph:

To the extent permitted by law, the principal of and interest on this Note which remains unpaid after this Note has matured shall bear interest until paid at an interest rate per annum based upon a 360-day year or "actual day year" as determined by the Authority and approved by the Authorized Officer for the actual number of days elapsed equal to a rate determined by the Authority and approved by the Authorized Officer not exceeding the maximum rate permitted by law.

12. Issuance of Additional Obligations. The Academy reserves the right to issue additional notes or other obligations of equal standing with the Notes as to the Pledged State Aid.

Such notes will only be issued with the prior written consent of the Authority. The Academy further agrees that the amount payable as to principal and interest on the Notes plus the amount payable as to principal and interest on or prior to the maturity date of the Notes on any additional notes or other obligations of equal standing with the Notes as to payment from Pledged State Aid will not exceed 70% (or such lower percentage as may be required by the Authority) of the total state aid funds apportioned to the Academy for 2004/2005.

13. No Impermissible Uses of Note Proceeds. The Academy covenants, warrants and represents that none of the proceeds of the Notes will be used to finance the purchase, construction, lease, or renovation of property owned, directly or indirectly, by any officer, board member or employee of the Academy.

14. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

Ayes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Nays: \_\_\_\_\_

Resolution declared adopted.

\_\_\_\_\_  
Secretary, Board of Directors

The undersigned duly qualified and acting Secretary of the Board of Directors of \_\_\_\_\_, hereby certifies that the foregoing is a true and complete copy of a resolution adopted by the Board at a regular meeting held on \_\_\_\_\_, 2004, the original of which is a part of the Board's minutes and further certifies that notice of the meeting was given to the public pursuant to the provisions of the Open Meetings Act, 1976 PA 267, as amended.

\_\_\_\_\_  
Secretary, Board of Directors

**EXHIBIT A  
TO  
AUTHORIZING RESOLUTION**

1. Estimated 2004/2005 State School Aid allocated for fiscal year ending June 30, 2005: \$\_\_\_\_\_ (Amount to be received from October 1, 2004 through August 31, 2005)
2. Amount of notes, bonds, or other obligations, not including this borrowing, issued or to be issued in this calendar year: \$\_\_\_\_\_
3. Amount of borrowing not to exceed: \$\_\_\_\_\_
4. Authorized Officers: Chairperson of the Board, the President, \_\_\_\_\_.
5. Chief Administrative Officer:\_\_\_\_\_.
6. Date of Notes: August \_\_, 2004, or date of delivery.
7. Notes due and payable: July 20, 2005, or such other date as determined by the Authorized Officer.
8. Purchase price: Not less than 90% of the principal amount of the Notes.

**EXHIBIT B  
TO  
RESOLUTION**

**FORM OF  
PURCHASE CONTRACT**

The Michigan Public Educational Facilities Authority (the "Authority"), is a public body corporate, separate and distinct from the State of Michigan. The Authority is offering to enter into this Purchase Contract with the public school academy named below ("you" or the "Academy"). Upon acceptance of this offer by you and ratification by the Authority, this purchase contract will be binding upon both of us. This offer is made subject to acceptance on or before the date set forth below. You accept the digital signature of the Authority's Executive Director and acknowledge that it has the same legal effect and enforceability as a manual signature.

**Section 1. Purchase of Academy Notes by the Authority.**

Upon the terms and conditions and upon the basis of the representations, warranties, and agreements set forth in this purchase contract (including those set forth on Schedule I), the Authority agrees to purchase from you, and you agree to sell and deliver to the Authority, a note (the "Note") in the principal amount and with the interest rate as shown on Schedule I. The purchase price for the Note shall be as set forth on Schedule I and the purchase price shall be paid to the Academy.

**Section 2. Representations and Warranties of the Academy.**

You represent and warrant to, and agree with, the Authority that:

a. The Academy is a public school academy established in accordance with the provisions of the Revised School Code (the "School Code"). The Academy has, and on the Closing Date (specified below) will have, full legal right, power and authority (i) to enter into this Purchase Contract, and (ii) to sell and deliver the Note to the Authority and pledge and assign to the Authority the state aid payments to be allocated and paid to the Academy as provided in this purchase contract and in the resolution authorizing the Note (the "Academy's Resolution"). The Academy has duly authorized and approved the execution and delivery of and the performance by the Academy of its obligations contained in this Purchase Contract including those set forth in Schedule I.

b. The Academy shall promptly pay its pro rata share of the Costs of Issuance upon notification by the Authority.

The term "Costs of Issuance" shall mean and include underwriter's discount, placement agent fees, printing charges, letter of credit fees and related charges of a letter of credit, if any, (including, without limitation, all other amounts owing by the Authority under the reimbursement agreement relating to the letter of credit), rating agency charges, trustee fees, bond counsel fees, and other counsel fees and issuance fees of the Authority. The Academy's pro rata share of such Costs of Issuance shall not exceed the amount shown on Schedule I hereto.



### **Section 3. Consent to Authority Pledge.**

You consent to the Authority's pledge and assignment of and grant of a security interest in the Authority's rights and interest (subject to certain rights of indemnification) in the Note and this Purchase Contract as security for (i) the notes issued by the Authority and (ii) pursuant to the Authority's and for the Authority's obligations under the reimbursement agreement related to the letter of credit for such notes.

### **Section 4. Pledge of State Aid.**

The Academy pledges to pay its principal and interest on the Note from its 2004/2005 State Aid to be allocated to it and payable to its Authorizing Body shown on Schedule I (the "Authorizing Body") and to be paid during October 2004 through August 2005 (the "Pledged State Aid"). Under a State Aid Agreement to be delivered at closing and unless otherwise agreed to in writing by the Authority, a portion of the Academy's 2004/2005 State Aid equal to the Academy's monthly principal and interest obligation on the Note as set forth on Schedule I shall be transmitted directly by the State Treasurer to the Trustee (the "Trustee"), in the number of installments (the "Installment" or "Installments") and in the amounts specified in Schedule I, commencing on or before October 20, 2004, and after that date on or before the 20th of each month through and including July 20, 2005. If the 20th falls on a Saturday, Sunday, or legal holiday, the Installment shall be due on the preceding business day. The payment to the Trustee shall be made first from the State School Aid allocated to the Academy during the month of the Installment.

### **Section 5. Provisions Applicable Upon Default.**

If, for any reason, the 2004/2005 State School Aid allocated to the Academy during the month of the Installment is insufficient to pay the Installment, then in that event the Academy pledges to use any and all other available funds to meet the Installment obligation. If (a) on any due date for any Installment, the funds with the Trustee, together with scheduled future Installments are insufficient to pay the principal of and interest on the Note when due, or (b) the Authority at any time receives written notice from the issuer of the letter of credit securing the Authority notes (the "Letter of Credit") stating that such Letter of Credit issuer deems itself insecure with respect to payment of the Note when due, then:

#### **a. Notice.**

The Authority shall notify (or cause notice to be given to) the Academy and the Authorizing Body in writing of the occurrence of this event;

#### **b. Application for Additional Intercept and/or Advance of State Aid.**

The Academy, pursuant to Section 17a(2) of the Act to the extent necessary to meet the payment obligation assigns to the Authority and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the Act. In such event, pursuant to Section

17a(2) of the State School Aid Act of 1979, as amended (the "Act"), the Authority is authorized, pursuant to the agreement of the Authorizing Body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or distributed to the Authorizing Body with respect to the Academy; and

c. **Notice to the Academy of Additional Intercept and/or Advance of State Aid.**

The Authority shall immediately notify (or cause notice to be given to) the Academy and the Authorizing Body that it will immediately commence to intercept and/or receive an advancement of the Pledged State Aid and beginning immediately the Authority shall intercept 97% of the Pledged State Aid to be otherwise distributed to the Authorizing Body with respect to the Academy.

d. **Application of Proceeds.**

The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the principal of and interest on the Installments and/or the Note when due shall be held by the Trustee for such purpose, and (ii) to the extent in excess of the amount required to make payment in full of the Note, any amounts remaining to be immediately distributed to the Authorizing Body or as otherwise directed by the Authority. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all principal and interest on the Note.

e. **Default at Maturity.**

If on July 20, 2005, the funds with the Trustee are insufficient to pay the principal of and interest on the Note when due, the Academy, pursuant to Section 17a(2) of the Act to the extent necessary to meet the payment obligation assigns to the Authority and authorizes and directs the State Treasurer to advance 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the Act.

**Section 6. Acknowledgments.**

Section 17a(2) of the Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and shall not be construed as creating an indebtedness of the State.

**Section 7. Closing.**

At 9:00 a.m., Michigan time, on August \_\_\_\_, 2004 ("Closing Date"), the Academy shall deliver the Note to the Authority at the offices of Howard & Howard Attorneys, P.C., Lansing, Michigan (the "Closing Site"), together with such other documents, certificates and closing opinions as the Authority shall require (the "Closing Documents") and the Authority shall accept delivery of the Note and the Closing Documents and pay the purchase price for the Note. The Academy shall make the Note and the Closing Documents available for inspection by the Authority on August \_\_\_\_, 2004 at the Closing Site.

**Section 8. Authority Discretion.**

The Authority shall have the right in its sole discretion to terminate the Authority's obligations under this Purchase Contract to purchase, accept delivery of and pay for the Note if the Authorizing Body does not agree to the payment or interception of Pledged State Aid as described in this agreement or if the Authority is unable for any reason to sell and deliver the Authority notes on or prior to the Closing Date.

**MICHIGAN PUBLIC EDUCATIONAL  
FACILITY AUTHORITY**

By:\_\_\_\_\_

Accepted and Agreed to this  
\_\_\_\_th day of \_\_\_\_\_, 2004

\_\_\_\_ ("Academy")

By: \_\_\_\_\_

## SCHEDULE I

1. The Academy will deposit all Installment payments commencing on or before \_\_\_\_\_, 20\_\_\_\_, with The Bank of New York Trust Company, N.A., Detroit, Michigan (the "Trustee").
2. The number of equal Installments shall be \_\_\_\_\_. The Academy hereby agrees to deposit funds with the Trustee in accordance with the Purchase Contract and resolution authorizing the Note and approved by the Letter of Credit Issuer, Fifth Third Bank, Cincinnati, Ohio (the "Bank").
3. The Academy will deliver from time to time such additional information regarding the financial condition of the Academy as the Authority may reasonably request.
4. The principal amount of the Note and scheduled debt service during the period of \_\_\_\_\_, 2004 through \_\_\_\_\_, 2005 on any additional notes or other obligations of equal standing with the Note as to the Pledged State Aid, will not exceed 70% of the amount of state school aid to be received by the Academy between \_\_\_\_\_, 2004, and \_\_\_\_\_, 2005. The Academy may only issue additional notes of equal standing with the Note of this issue as to the Pledged State Aid if prior written approval is obtained from the Authority.
5. The principal amount and the interest rate on the Note shall not exceed \$\_\_\_\_\_ and \_\_\_\_\_% per annum, respectively.
6. The Academy's pro rata share of the Costs of Issuance, including the initial fee of the Bank, shall not exceed \$\_\_\_\_\_, plus the Academy's pro rata share of related charges pursuant to the reimbursement agreement between the Authority and the Bank (including, without limitation, all other amounts owing by the Authority under the reimbursement agreement).
7. The purchase price of the Note shall be \$\_\_\_\_\_ (par of \$\_\_\_\_\_ [less net discount of \$\_\_\_\_\_]).
8. The Note shall be dated \_\_\_\_\_, 2004 and shall mature on \_\_\_\_\_, 2005.
9. The Academy's Authorizing Body is \_\_\_\_\_.
10. Interest payable on drawings on the Letter of Credit shall be payable to the Bank at a per annum rate equal to the Base Rate plus 3% and shall be payable on the date of reimbursement of such drawings. Absent manifest error, each determination by the Bank of interest due and owing to the Bank under its letter of credit and reimbursement agreement with the Authority shall be conclusive and binding for all purposes.

"Base Rate" means, for any day, the Prime Rate for such day.

"Prime Rate" means, for any day, the rate of interest publicly announced by the Bank in New York City as its prime rate in effect for that day. The Prime Rate is not intended to be the lowest rate of interest charged by the Bank in connection with the extension of credit to customers. For purposes of calculating any interest rate hereunder which is based on the Prime

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Rate, such interest rate shall be adjusted automatically on the effective date of any change in the Prime Rate.

11. Scheduled 2004/2005 State Aid:\_\_\_\_\_.

12. Amount of Monthly Direct Payment:\_\_\_\_\_.

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**SCHEDULE II**  
**DEBT SERVICE SCHEDULE**

See Attached.